A&E Partners Holding, LLC et al v. IAC/Interactive Corp. Doc. 5 Att. 6

Exhibit F

Dockets.Justia.com

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	
	:	Chapter 11
PRC, LLC, et al.,	:	
	:	Case No. 08-10239 (MG)
	:	
Debtors	:	Jointly Administered
	:	
8151 Peters Road	:	
Suite 4000	:	
Plantation, FL 33324	:	
EIN No. 592194806	:	

DISCLOSURE STATEMENT FOR DEBTORS' JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE DATED AS OF MAY 2, 2008

WEIL, GOTSHAL & MANGES LLP
Attorneys for Debtors and
Debtors in Possession
700 Louisiana, Suite 1600
Houston, TX 77002
Telephone: (713) 546-5000
Facsimile: (713) 224-9511

Dated: May 2, 2008

TABLE OF CONTENTS

Page

SUMMARY OF PLAN 1

I. INTRODUCTION 3

A. HOLDERS OF CLAIMS ENTITLED TO VOTE 4

B. VOTING PROCEDURES 5

C. CONFIRMATION HEARING 6

II. OVERVIEW OF THE PLAN 8

III. GENERAL INFORMATION 13

A. Overview of Chapter 11 13

B. Corporate Structure 14

C. Business Background 15

1. Formation and Acquisition by IAC/InterActive Corp 15

2. Sale of PRC by IAC 15

3. Business Operations 16

(a) B2C Division 17

(b) B2B Division 17

4. Employees and Labor Matters 18

5. Properties and Assets 18

6. Legal Proceedings and Claims 18

(a) Pending Matters 18

(b) Potential Claims Relating to Purchase Agreement 19

D. Significant Prepetition Indebtedness 21

1. Prepetition First Lien Credit Agreement 21

2. Prepetition Second Lien Credit Agreement 22

3. Intercreditor Agreement 22

4. Recent Financial Information 23

IV. KEY EVENTS LEADING TO THE COMMENCEMENT OF THE REORGANIZATION CASES 23

A. Decline in Financial Performance 23

1. Competition and Market Conditions 23

2. Operational Issues 23

TABLE OF CONTENTS
(continued)

Page

3. Turnaround Efforts 24

B. The Restructuring Negotiations 26

1. Lock-up Agreement 26

2. Postpetition Financing Agreement 26

V. THE REORGANIZATION CASES 26

A. First Day Orders 26

1. Case Administration Orders 26

2. Critical Obligations 26

3. Business Operations 26

4. Financial Operations 27

B. Chapter 11 Financing 27

C. Creditors' Committee and Plan Support Agreement 28

D. Assumption of ACS Contract 30

E. Sale of Certain Non-Material assets 31

F. Rejection of Certain Agreements 31

G. Schedules and Bar Date 32

VI. THE PLAN OF REORGANIZATION 32

A. Introduction 32

B. Classification and Treatment of Claims and Equity Interests Under the Plan of Reorganization 32

1. Unclassified 34

Administrative Expense Claims 34

Postpetition Financing Obligation Claims 34

Professional Compensation and Reimbursement Claims 35

Priority Tax Claims 35

2. Classified 36

Class 1 – Other Priority Claims 36

Class 2 – Secured Tax Claims 36

Class 3 – Other Secured Claims 36

Class 4 – Allowed Prepetition First Lien Claims 37

TABLE OF CONTENTS
(continued)

Page

Class 5 – Allowed Prepetition Second Lien Claims 38

Class 6 – General Unsecured Claims 38

Class 7 – Preconfirmation Equity Interests 38

C. Means of Implementing the Plan 39

1. Intercompany Claims 39

2. Restructuring and Other Transactions 39

(a) Restructuring Transactions 39

(b) Consistent Tax Reporting 39

(c) Other Transactions 40

3. Cancellation of Existing Agreements and Preconfirmation Equity Interests 40

4. Incurrence of New Indebtedness 40

D. Plan Provisions Governing Distribution 41

1. Distributions on Account of Allowed General Unsecured Claims 41

2. Date of Distributions 41

3. Disbursing Agent 41

4. Rights and Powers of Disbursing Agent 41

5. Expenses of the Disbursing Agent 42

6. Delivery of Distributions 42

(a) Last Known Address 42

(b) Unclaimed Distributions 42

(c) Distribution Record Date 42

7. Manner of Payment 42

8. Cash Distributions 42

9. Setoffs and Recoupment 42

10. Allocation of Plan Distributions Between Principal and Interest 43

E. Procedures for Treating Disputed Claims 43

1. Objections 43

TABLE OF CONTENTS
(continued)

Page

2. No Distributions Pending Allowance 44
3. Distributions After Allowance 44
4. Resolution of Administrative Expense Claims and Claims 44
5. Estimation of Claims 44
6. Interest 44

F. Provisions Governing Executory Contracts and Unexpired Leases 45
1. Assumption or Rejection of Executory Contracts and Unexpired Leases 45
2. Approval of Assumption or Rejection of Executory Contracts and Unexpired Leases 45
3. Inclusiveness 46
4. Cure of Defaults 46
5. Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Plan 46
6. Indemnification Obligations 46
7. Insurance Policies 47
8. Benefit Plans 47
9. Retiree Benefits 47

G. Corporate Governance and Management of the Reorganized Debtors 47
1. General 47
2. Postconfirmation Board of Postconfirmation HoldCo 47
3. Postconfirmation Organizational Documents 48
4. Officers of the Reorganized Debtors 48
5. Postconfirmation Management Incentive Plan 48

H. Conditions Precedent to Effective Date 48
1. Conditions Precedent to Effectiveness 48
2. Waiver of Conditions 49
3. Satisfaction of Conditions 49

I. Effect of Confirmation 49

TABLE OF CONTENTS
(continued)

Page

1. Continued Vesting of Assets 49
2. Binding Effect 49
3. Discharge of Claims and Termination of Preconfirmation Equity Interests 49
4. Discharge of Debtors 50
5. Injunction or Stay 50
6. Terms of Injunction or Stay 50
7. Reservation of Causes of Action/Reservation of Rights 51
8. Exculpation 51
9. Limited Releases 51
10. Avoidance Actions/Objections 52

J. Retention of Jurisdiction 53

K. Miscellaneous Provisions 54

1. Effectuating Documents and Further Transactions 54
2. Withholding and Reporting Requirements 54
3. Corporate Action 55
4. Modification of Plan 55
5. Revocation or Withdrawal of the Plan 55
6. Plan Supplement 55
7. Payment of Statutory Fees 56
8. Dissolution of the Creditors' Committee 56
9. Exemption from Transfer Taxes 56
10. Expedited Tax Determination 56
11. Exhibits/Schedules 57
12. Substantial Consummation 57
13. Severability of Plan Provisions 57
14. Governing Law 57
15. Notices 57
16. Exemption from Securities Laws 58

VII. PROJECTIONS AND VALUATION ANALYSIS 61

TABLE OF CONTENTS
(continued)

Page

A. Consolidated Condensed Projected Financial Statements 61

1. Responsibility for and Purpose of the Projections 61
2. Pro Forma Financial Projections 61

B. Valuation 64

1. Overview 64
2. Valuation Methodology 66
   (a) Comparable Company Analysis 66
   (b) Precedent Transactions Analysis 67
   (c) Discounted Cash Flow Analysis 68

VIII. CERTAIN FACTORS AFFECTING THE DEBTORS 69

A. Certain Bankruptcy Law Considerations 69

1. Risk of Non-Confirmation of the Plan of Reorganization 69
2. Non-Consensual Confirmation 70
3. Risk of Delay in Confirmation of the Plan 70

B. Additional Factors To Be Considered 70

1. The Debtors Have No Duty to Update 70
2. No Representations Outside This Disclosure Statement Are Authorized 70
3. Projections and Other Forward-Looking Statements Are Not Assured, and Actual Results May Vary 71
4. General Unsecured Claims Could Be More Than Projected 71
5. Debtors Could Withdraw the Plan 71
6. No Legal or Tax Advice Is Provided to You by This Disclosure Statement 71
7. No Admission Made 71
8. Business Factors and Competitive Conditions 71
   (a) General Economic Conditions 71
   (b) Business Factors 72
   (c) Competitive Conditions 72
   (d) Reliance on Key Clients 72

TABLE OF CONTENTS
(continued)

Page

(e) Reliance on Employees ... 72
(f) Clients ... 73
(g) Risks of International Operations ... 73
(h) Other Factors ... 73
9. Access to Financing and Trade Terms ... 73
10. Impact of Interest Rates and Foreign Exchange Valuations ... 74
11. Variances from Projections ... 74
C. Certain Tax Matters ... 74
IX. CONFIRMATION OF THE PLAN OF REORGANIZATION ... 75
A. Confirmation Hearing ... 75
B. Requirements for Confirmation of the Plan of Reorganization ... 75
1. Requirements of Section 1129(a) of the Bankruptcy Code ... 75
(a) General Requirements ... 75
(b) Best Interests Test ... 77
(c) Liquidation Analysis ... 78
(d) Feasibility ... 78
2. Requirements of Section 1129(b) of the Bankruptcy Code ... 78
X. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN OF REORGANIZATION ... 79
A. Liquidation Under Chapter 7 ... 79
B. Alternative Plan of Reorganization ... 80
XI. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ... 80
A. Consequences to the Debtors ... 81
B. Consequences to Holders of Certain Claims ... 82
1. Consequences to Holders of Prepetition First Lien Claims and Prepetition Second Lien Claims ... 82
2. Consequences to Holders of General Unsecured Claims ... 84
3. Distributions in Discharge of Accrued but Unpaid Interest ... 84

TABLE OF CONTENTS
(continued)

Page

4. Ownership and Disposition of Postconfirmation Second Lien Facility and Postconfirmation Unsecured Note 85

(a) Interest and OID on the Postconfirmation Second Lien Facility 86

(b) Interest and OID on the Postconfirmation Unsecured Note 86

(c) Application of AHYDO Provisions of the Tax Code 87

(d) Sale, Exchange or Redemption of Postconfirmation Second Lien Facility and Postconfirmation Unsecured Note 87

5. Ownership and Disposition of Postconfirmation HoldCo Membership Interests 88

6. Ownership and Disposition of Warrants 90

C. Information Reporting and Withholding 91

XII. CONCLUSION 92

SUMMARY OF PLAN

The following is a summary of the Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated as of May 2, 2008 (as the same may be amended or modified, the "Plan"), of PRC, LLC ("PRC"), Panther/DCP Intermediate Holdings, LLC, PRC B2B, LLC, Access Direct Telemarketing, Inc., and Precision Response of Pennsylvania, LLC (collectively, the "Debtors"), the debtors and debtors in possession in these chapter 11 cases. This Disclosure Statement describes the Plan and the distributions contemplated thereunder for each of the Debtors and their creditors. Unless otherwise defined herein, all capitalized terms contained in this Disclosure Statement have the meanings ascribed to them in the Plan.

The Debtors commenced their Reorganization Cases following several months of declining financial performance, which can be traced to, among other things, (i) a substantially unprofitable relationship with a key client, (ii) decreased operational and financial flexibility due to long-term facility leases and a highly leveraged capital structure, (iii) high fixed costs, and (iv) a lower percentage of business serviced at offshore sites compared to competitors. This declining financial performance, coupled with the Debtors' inability to obtain additional financing, the recent downgrade of PRC by major financial ratings agencies, and the resultant fallout among the Debtors' clients and prospective clients, left the Debtors with the need for financial reorganization.

Beginning in the fourth quarter of 2007, the Debtors and their advisors explored various restructuring alternatives including M&A transactions, refinancing options, recapitalizations and a potential chapter 11 filing. During this time, the Debtors initiated a number of internal cost reduction and liquidity improvement initiatives, made changes in senior leadership, and implemented workforce reductions. Such efforts were insufficient to ease the financial strain on the businesses, however. With the assistance of their financial advisors, the Debtors determined that the most efficient way to de-lever their balance sheet and return the company to profitability was through a pre-negotiated chapter 11 restructuring. In January 2008, the Debtors, their Prepetition Lenders, and holders of membership interests in HoldCo reached an agreement on the principal terms of a chapter 11 plan of reorganization. Thereafter, the Debtors commenced the Reorganization Cases on January 23, 2008.

Upon commencement of the Reorganization Cases, the Debtors filed a term sheet outlining the terms of the reorganization plan reached with the Prepetition Lenders. Under the term sheet, the Debtors agreed to sponsor a chapter 11 plan that provided for the reorganization of the Debtors as a going concern (the "Reorganized Debtors"). Integral components of the agreement with the Prepetition Lenders were (i) the Debtors' $30 million debtor in possession financing facility, which would provide sufficient liquidity to fund the Debtors during the course of the Reorganization Cases, and (ii) the conversion of a portion of the prepetition secured debt into equity in the Reorganized Debtors. Certain of the Prepetition Lenders also stated their willingness to provide exit financing for the Debtors' operations following their emergence from the chapter 11 cases.

Moreover, during the first few months of the Reorganization Cases, the Debtors and certain of the Prepetition Lenders engaged the Creditors' Committee in extensive negotiations regarding the treatment of General Unsecured Claims under a chapter 11 plan that will allow the Debtors to restructure their businesses and successfully emerge from these chapter 11 cases. Following these significant, arms'-length negotiations, the Debtors and the Creditors' Committee entered into an agreement that resolves the outstanding issues raised by the Creditors'

Committee in connection with the Plan. Accordingly, the Creditors' Committee has expressed its support for the terms of the Plan.

Under the Plan, the Prepetition First Lien Claims (Class 4) will be satisfied in full, as follows: (i) $40 million of Allowed Prepetition First Lien Claims will be rolled over as part of the Postconfirmation Second Lien Facility, (ii) an additional $40 million of the Allowed Prepetition First Lien Claims will be exchanged for the Postconfirmation Unsecured Note to be issued by Postconfirmation Intermediate HoldCo, the principal and interest of which shall be payable in kind no less frequently than quarterly, and (iii) the remaining balance of the Allowed Prepetition First Lien Claims will be converted to 80% of the equity interests of Postconfirmation Holdco (subject to dilution), as more fully described in Section VI.B.2 of this Disclosure Statement. The Prepetition Second Lien Claims (Class 5) will be satisfied in full under the Plan, as follows: (i) all of the outstanding Allowed Prepetition Second Lien Claims will be converted to 20% of the equity interests of Postconfirmation Holdco (subject to dilution), and (ii) each holder of an Allowed Prepetition Second Lien Claim will receive certain warrants, as more fully described in Section VI.B.2 of this Disclosure Statement. Each holder of an Allowed General Unsecured Claim (Class 6) will receive its Distribution Pro Rata Share of $1,350,000 in Cash on each Distribution Date or as soon thereafter as practicable. The proposed distributions to other creditors are discussed in Section VI.B.2 of this Disclosure Statement.

Based upon the Debtors' estimate of the Allowed Claims in these Reorganization Cases, the Plan provides for a 67%-74% recovery to holders of Allowed Prepetition First Lien Claims, a 0%-3% recovery to holders of Allowed Prepetition Second Lien Claims, a 4%-8% recovery to holders of Allowed General Unsecured Claims, and no recovery for holders of Preconfirmation Equity Interests. These projections are based on assumptions described herein and are not guaranteed. The Plan is supported by the Prepetition Lenders and the Creditors' Committee.

THE DEBTORS BELIEVE THAT THE PLAN WILL ENABLE THEM TO REORGANIZE SUCCESSFULLY AND ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS AND THEIR CREDITORS. THE DEBTORS URGE CREDITORS TO VOTE TO ACCEPT THE PLAN. THE CREDITORS' COMMITTEE ALSO STRONGLY ENCOURAGES ALL GENERAL UNSECURED CREDITORS TO VOTE IN FAVOR OF THE PLAN. THE CREDITORS' COMMITTEE WAS ACTIVELY INVOLVED IN THE FORMULATION OF THE PLAN AND BELIEVES THAT THE PLAN PROVIDES THE HIGHEST AND BEST RECOVERIES FOR ALL OF THE DEBTORS' GENERAL UNSECURED CREDITORS.

I.

INTRODUCTION

The Debtors submit this Disclosure Statement pursuant to section 1125 of title 11 of the United States Code (the "Bankruptcy Code") to holders of equity interests ("Preconfirmation Equity Interests") in and Claims against the Debtors in connection with (i) the solicitation of acceptances of the Plan filed by the Debtors with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") and (ii) the hearing to consider confirmation of the Plan (the "Confirmation Hearing") scheduled for June 19, 2008 at 10:00 a.m. (prevailing Eastern Time).

Annexed as Exhibits to this Disclosure Statement are copies of the following documents:

- The Plan (Exhibit A);
- Order of the Bankruptcy Court, dated May 8, 2008 (the "Disclosure Statement Order"), approving, among other things, this Disclosure Statement and establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan (attached hereto without exhibits) (Exhibit B);
- The Debtors' most recent financial statements for the year ended December 31, 2007, as well as the Debtors' Projected Financial Information (Exhibit C); and
- The Debtors' Liquidation Analysis (Exhibit D).

A Ballot for the acceptance or rejection of the Plan is enclosed with the Disclosure Statement mailed to the holders of Claims that the Debtors believe may be entitled to vote to accept or reject the Plan.

On May 8, 2008, after notice and a hearing, the Bankruptcy Court signed the Disclosure Statement Order, approving this Disclosure Statement as containing adequate information of a kind and in sufficient detail to enable a hypothetical investor of the relevant classes to make an informed judgment whether to accept or reject the Plan. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.

The Disclosure Statement Order, a copy of which is annexed hereto as Exhibit B, sets forth in detail, among other things, the deadlines, procedures and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan, the record date for voting purposes and the applicable standards for tabulating Ballots. In addition, detailed voting instructions accompany each Ballot. Each holder of a Claim entitled to vote on the Plan should read the Disclosure Statement, the Plan, the Disclosure Statement Order and the instructions accompanying the Ballots in their entirety before voting on the Plan. These documents contain important information concerning the classification of Claims and Preconfirmation Equity

Interests for voting purposes and the tabulation of votes. No solicitation of votes to accept the Plan may be made except pursuant to section 1125 of the Bankruptcy Code.

A. HOLDERS OF CLAIMS ENTITLED TO VOTE

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired and that are not deemed to have rejected the proposed plan are entitled to vote to accept or reject a proposed plan. Classes of claims or equity interests in which the holders of claims or equity interests are unimpaired under a chapter 11 plan are deemed to have accepted the plan and are not entitled to vote to accept or reject the plan. For a detailed description of the treatment of Claims and Preconfirmation Equity Interests under the Plan, see Section VI of this Disclosure Statement.

Claims in Class 4 (Prepetition First Lien Claims), Class 5 (Prepetition Second Lien Claims), and Class 6 (General Unsecured Claims) of the Plan are impaired and, to the extent Claims in such Classes are Allowed, the holders of such Claims will receive distributions under the Plan. As a result, holders of Claims in those Classes are entitled to vote to accept or reject the Plan.

Claims in Class 1 (Other Priority Claims), Class 2 (Secured Tax Claims), and Class 3 (Other Secured Claims) of the Plan are unimpaired. As a result, holders of Claims in those Classes are conclusively presumed to have accepted the Plan.

The Bankruptcy Code defines "acceptance" of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan. For a more detailed description of the requirements for confirmation of the Plan, see Section IX of this Disclosure Statement.

If a Class of Claims entitled to vote on the Plan rejects the Plan, the Debtors reserve the right to amend the Plan or request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code or both. Section 1129(b) of the Bankruptcy Code permits the confirmation of a plan of reorganization notwithstanding the rejection of a plan by one or more impaired classes of claims or equity interests. Under that section, a plan may be confirmed by a bankruptcy court if it does not "discriminate unfairly" and is "fair and equitable" with respect to each rejecting class. For a more detailed description of the requirements for confirmation of a nonconsensual plan, see Section IX.B.2 of this Disclosure Statement.

Holders of Preconfirmation Equity Interests (Class 7) will not receive any distribution under the Plan and are therefore deemed to have rejected the Plan. With respect to the Class of Preconfirmation Equity Interests that is deemed to have rejected the Plan, *i.e.*, Class 7, the Debtors intend to request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code.

The Debtors are commencing this solicitation after extensive negotiations with the DIP Lenders, the Prepetition First Lien Lenders, the Prepetition Second Lien Lenders and the Creditors' Committee. The Prepetition First Lien Lenders have been represented by Chadbourne & Parke LLP as legal advisor and FTI Consulting as financial advisor. The Prepetition Second Lien Lenders have been represented by Bingham McCutchen LLP as legal advisor and Capstone

Advisory Group LLC as financial advisor. The Creditors' Committee has been represented by Blank Rome LLP as legal advisor and J.H. Cohn LLP as financial advisor.

THE DEBTORS RECOMMEND THAT HOLDERS OF CLAIMS IN CLASSES 4, 5, AND 6 VOTE TO ACCEPT THE PLAN. THE CREDITORS' COMMITTEE ALSO RECOMMENDS THAT HOLDERS OF CLAIMS IN CLASS 6 VOTE TO ACCEPT THE PLAN.

The Debtors' legal advisor is Weil, Gotshal & Manges LLP, and their restructuring and financial advisors are CXO, L.L.C. ("CXO") and Evercore Group LLC ("Evercore"), respectively. They can be contacted at:

Evercore Group LLC
55 East 52nd Street
New York, NY 10055
Phone (212) 857-3100
Attn: Stephen Sieh
Matthew Theodorakis

CXO, L.L.C.
5956 Sherry Lane, Suite 1000
Dallas, TX 75225
Phone: (214) 577-3619
Attn: Stephen Dubé
Email: stephen@cxollc.com

and

Weil, Gotshal & Manges LLP
700 Louisiana, Suite 1600
Houston, TX 77002
Phone: (713) 546-5000
Attn: Alfredo R. Pérez
James T. Grogan III

B. VOTING PROCEDURES

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. If you hold Claims in more than one Class and you are entitled to vote Claims in more than one Class, you will receive separate Ballots, which must be used for each separate Class of Claims. Ballots should be returned to:

In re PRC, LLC, et al. Ballot Processing
c/o Epiq Bankruptcy Solutions, LLC
757 Third Avenue, 3rd Floor
New York, New York 10017

Do not return any other documents with your Ballot.

TO BE COUNTED, YOUR BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE RECEIVED BY NO LATER THAN 4:00 P.M. (PREVAILING EASTERN TIME) ON JUNE 9, 2008.

Any Claim in an impaired Class as to which an objection or request for estimation is pending or which is listed on the Schedules as unliquidated, disputed or contingent is not entitled to vote unless the holder of such Claim has obtained an order of the Bankruptcy Court temporarily allowing such Claim for the purpose of voting on the Plan.

Pursuant to the Disclosure Statement Order, the Bankruptcy Court set May 8, 2008 as the record date for holders of Claims entitled to vote on the Plan. Accordingly, only holders of record as of the applicable record date that otherwise are entitled to vote under the Plan will receive a Ballot and may vote on the Plan.

If you are a holder of a Claim entitled to vote on the Plan and you did not receive a Ballot, received a damaged Ballot or lost your Ballot or if you have any questions concerning the Disclosure Statement, the Plan or the procedures for voting on the Plan, please call Epiq Bankruptcy Solutions, LLC at (866) 897-6433.

C. CONFIRMATION HEARING

Pursuant to section 1128 of the Bankruptcy Code, the Confirmation Hearing will be held on June 19, 2008 at 10:00 a.m. (prevailing Eastern Time) before the Honorable Martin Glenn, Room 501, United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton House, One Bowling Green, New York, New York 10004. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan must be served and filed so that they are received on or before June 12, 2008 at 4:00 p.m. (prevailing Eastern Time) in the manner described below in Section IX.A of this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION STATED SINCE THE DATE HEREOF. HOLDERS OF CLAIMS SHOULD CAREFULLY READ THIS DISCLOSURE STATEMENT IN ITS ENTIRETY, INCLUDING THE PLAN, PRIOR TO VOTING ON THE PLAN.

FOR THE CONVENIENCE OF HOLDERS OF CLAIMS AND PRECONFIRMATION EQUITY INTERESTS, THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING. THE DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, AND NOTHING STATED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE EVIDENCE OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON THE DEBTORS OR HOLDERS OF CLAIMS OR EQUITY INTERESTS. CERTAIN OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, BY NATURE, ARE FORWARD-LOOKING AND CONTAIN ESTIMATES

AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES.

ALL HOLDERS OF CLAIMS SHOULD CAREFULLY READ AND CONSIDER FULLY THE RISK FACTORS SET FORTH IN SECTION VIII OF THIS DISCLOSURE STATEMENT BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

SUMMARIES OF CERTAIN PROVISIONS OF AGREEMENTS REFERRED TO IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE COMPLETE AND ARE SUBJECT TO, AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO, THE FULL TEXT OF THE APPLICABLE AGREEMENT, INCLUDING THE DEFINITIONS OF TERMS CONTAINED IN SUCH AGREEMENT.

THE DEBTORS BELIEVE THAT THE PLAN WILL ENABLE THEM TO REORGANIZE SUCCESSFULLY AND ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS AND THEIR CREDITORS.

THE DEBTORS URGE CREDITORS TO VOTE TO ACCEPT THE PLAN. THE PREPETITION FIRST LIEN LENDERS, THE PREPETITION SECOND LIEN LENDERS, AND THE CREDITORS' COMMITTEE ALSO STRONGLY ENCOURAGE ALL CREDITORS TO VOTE IN FAVOR OF THE PLAN. THE PREPETITION LENDERS AND THE CREDITORS' COMMITTEE WERE ACTIVELY INVOLVED IN THE FORMULATION OF THE PLAN AND BELIEVE THAT THE PLAN PROVIDES THE HIGHEST AND BEST RECOVERIES FOR THE DEBTORS' CREDITORS.

IRS CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS AND PRECONFIRMATION EQUITY INTERESTS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY HOLDERS OF CLAIMS OR PRECONFIRMATION EQUITY INTERESTS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF CLAIMS AND PRECONFIRMATION EQUITY INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

II.

OVERVIEW OF THE PLAN

The following table briefly summarizes the classification and treatment of Administrative Expense Claims, Claims and Preconfirmation Equity Interests under the Plan:

Class	Type of Claim or Equity Interest	Treatment	Approximate Allowed Amount[1]	Approximate Percentage Recovery
--	Administrative Expense Claims	Paid in full, in Cash, on the later of the Effective Date or when such Claim becomes Allowed, or as soon thereafter as is practicable; Claims incurred in the ordinary course of business will be paid in full or performed, as applicable, in the ordinary course of business.	$145,000, plus any amounts incurred and payable in the ordinary course of business	100%
--	Postpetition Financing Obligation Claims	Paid in full, in Cash, on the Effective Date.	Undetermined	100%

[1] The amounts set forth herein are the Debtors' estimates based on the Debtors' books and records. The Bar Date (as defined below) has only recently passed. Actual amounts will depend upon the amounts of Claims timely filed before the Bar Date, final reconciliation and resolution of all Administrative Expense Claims and Claims, and the negotiation of cure amounts. Accordingly, the actual amounts may vary from the amounts set forth herein.

Class	Type of Claim or Equity Interest	Treatment	Approximate Allowed Amount[1]	Approximate Percentage Recovery
--	Professional Compensation and Reimbursement Claims	Paid in full, in Cash, in accordance with the order of the Bankruptcy Court allowing any such Claim.	$3.12 million[2]	100%
--	Priority Tax Claims	Either (i) paid in full, in Cash, on the Effective Date or as soon thereafter as is practicable, or (ii) commencing on the Effective Date or as soon thereafter as is practicable, paid in full, in Cash, over a period not exceeding five years from and after the Commencement Date, in equal semi-annual Cash payments with interest for the period after the Effective Date at the rate determined under applicable non-bankruptcy law.	Undetermined[3]	100%
1	Other Priority Claims	Unimpaired. Paid in full, in Cash, on the later of the Effective Date and the date such Claim becomes an Allowed Other Priority Claim or as soon thereafter as is practicable.	$82,200	100%

[2] This figure represents estimated fees and expenses outstanding on the anticipated confirmation date of June 19, 2008. The Debtors have calculated their estimate based upon monthly invoices for services rendered to date.

[3] The Debtors have not yet made a determination as to the correct classification of outstanding tax claims, and as such, the entirety of the estimate is currently included in Class 2 (Secured Tax Claims). Classification of tax claims as secured or priority shall not be deemed to be a waiver of the Debtors' rights or defenses with respect to such Claims.

Class	Type of Claim or Equity Interest	Treatment	Approximate Allowed Amount[1]	Approximate Percentage Recovery
2	Secured Tax Claims	Unimpaired. Either (i) paid in full, in Cash, on the Effective Date or as soon thereafter as is practicable or (ii) commencing on the Effective Date or as soon thereafter as is practicable, paid in full, in Cash, over a period not exceeding five years from and after the Commencement Date, in equal semi-annual Cash payments with interest at the rate determined under applicable non-bankruptcy law.	$2.123 million[4]	100%

[4] The Debtors have not yet made a determination as to the correct classification of outstanding tax claims, and as such, the entirety of the estimate is currently included in Class 2 (Secured Tax Claims). Classification of tax claims as secured or priority shall not be deemed to be a waiver of the Debtors' rights or defenses with respect to such Claims. In addition, this amount is subject to change based on the outcome of any pending audits of the Debtors.

Class	Type of Claim or Equity Interest	Treatment	Approximate Allowed Amount[1]	Approximate Percentage Recovery
3	Other Secured Claims	Unimpaired. Either (i) reinstated, (ii) paid in full, including any required interest, in Cash, on the later of the Effective Date and the date such Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable, or (iii) receive the Collateral securing such Other Allowed Secured Claim and any required interest.	$0	100%
4	Allowed Prepetition First Lien Claims	Impaired. On the Effective Date, and in accordance with the Restructuring Transactions, each holder of an Allowed Prepetition First Lien Claim shall receive its Ratable Proportion of each of: (i) $40 million of the Postconfirmation Second Lien Facility; (ii) $40 million of the Postconfirmation Unsecured Note; and (iii) 80% of the equity interests of Postconfirmation HoldCo, which equity interests shall be subject to further dilution by the holders of Allowed Prepetition Second Lien Claims in the event such holders exercise their rights, as described in subsections (ii) and (iii) of Section 4.5(b) of the Plan.	$119.35 million	67.0% to 73.7%[5]

[5] Based on the stated face amount of the Postconfirmation Second Lien Facility and the Postconfirmation Unsecured Note, as well as the estimated Common Equity Value range set forth in Section VII.B of this Disclosure Statement.

Class	Type of Claim or Equity Interest	Treatment	Approximate Allowed Amount[1]	Approximate Percentage Recovery
5	Allowed Prepetition Second Lien Claims	Impaired. On the Effective Date, and in accordance with the Restructuring Transactions, each holder of an Allowed Prepetition Second Lien Claim shall receive its Ratable Proportion of each of: (i) 20% of the equity interests of Postconfirmation HoldCo, which equity interests shall be subject to further dilution by the holders of Allowed Prepetition Second Lien Claims in the event such holders exercise their rights, as described in subsections (ii) and (iii) of Section 4.5(b) of the Plan; (ii) warrants, which may be exercised up to five (5) years after the Effective Date, to purchase up to 4% of the fully diluted equity interests of Postconfirmation HoldCo with an exercise price based upon an enterprise value of $170 million; and (iii) warrants, which may be exercised up to five (5) years after the Effective Date, to purchase up to an additional 2% of the fully diluted equity interests of Postconfirmation HoldCo with an exercise price based on an enterprise value of $200 million.	$67 million	0.0% to 3.0%[6]

[6] Based on the estimated Common Equity Value range set forth in Section VII.B of this Disclosure Statement.

Class	Type of Claim or Equity Interest	Treatment	Approximate Allowed Amount[1]	Approximate Percentage Recovery
6	General Unsecured Claims	Impaired. Paid Distribution Pro Rata Share of $1,350,000 in Cash on each Distribution Date or as soon thereafter as practicable.	$17 to 32 million[7]	4%-8%
7	Preconfirmation Equity Interests	Impaired. No distribution.	$0	0%

For detailed historical and projected financial information and valuation estimates, see Section VII below, entitled "PROJECTIONS AND VALUATION ANALYSIS," as well as Exhibit C to this Disclosure Statement.

III.

GENERAL INFORMATION

A. OVERVIEW OF CHAPTER 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize its business for the benefit of itself, its creditors and its equity interest holders. In addition to permitting the rehabilitation of a debtor, another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and similarly situated equity interest holders with respect to the distribution of a debtor's assets. The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the commencement date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan of reorganization is the principal objective of a chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by the bankruptcy court binds the debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity interest holder of a debtor. Subject to certain limited exceptions, the order approving confirmation of a plan discharges a debtor from any debt

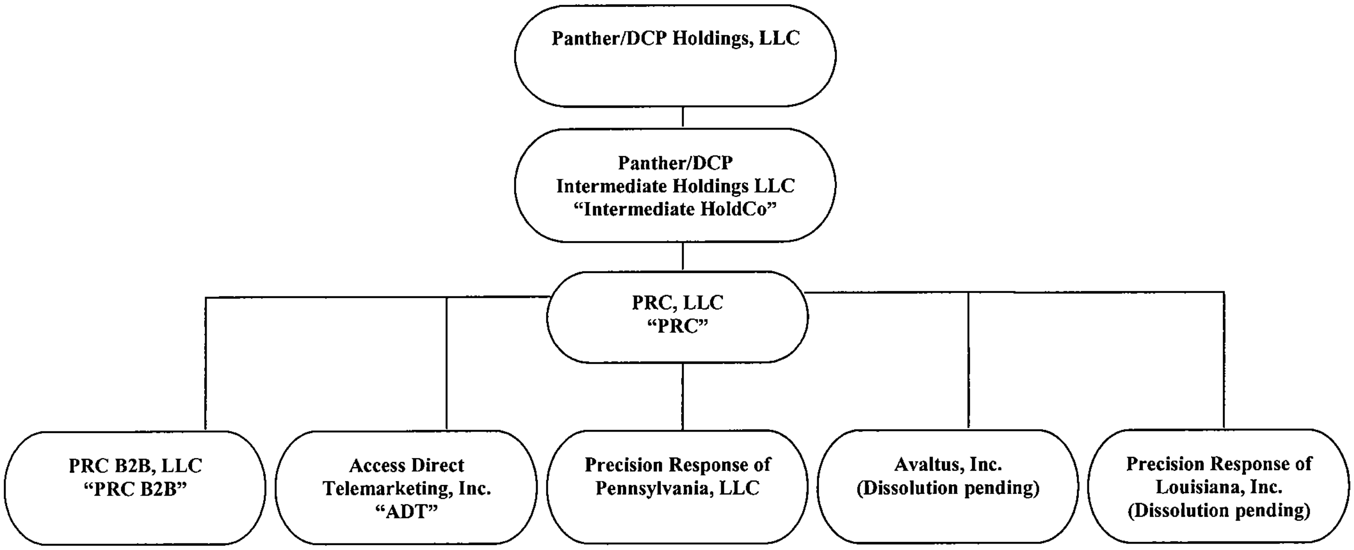
[7] The estimated amount set forth above excludes (a) any claims arising under executory contracts and unexpired leases of the Debtors unless a proof of claim has been filed with respect to such contract or lease, and (b) future claims that may arise or be filed as the Debtors continue with their reorganization. The magnitude of claims arising under executory contracts or unexpired leases for rejection damages may be substantial and may have a significant dilutive effect on the estimated recovery to holders of General Unsecured Claims. The numbers listed here are estimates. The Bar Date for filing proofs of claim has only recently passed, and the Debtors have not completed their analysis of all claims.

that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan.

Certain holders of claims against and interests in a debtor are permitted to vote to accept or reject the plan. Prior to soliciting acceptances of the proposed plan, however, section 1125 of the Bankruptcy Code requires a debtor to prepare, and obtain bankruptcy court approval of, a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical investor of the relevant classes to make an informed judgment regarding the plan. The Debtors are submitting this Disclosure Statement to holders of Claims against and Preconfirmation Equity Interests in the Debtors to satisfy the requirements of section 1125 of the Bankruptcy Code.

B. CORPORATE STRUCTURE

The chart below provides a general overview of the prepetition corporate structure for PRC and its affiliates, including all of the Debtors and three non-debtor entities, Panther/DCP Holdings, LLC ("HoldCo"), Avaltus, Inc., and Precision Response of Louisiana, Inc.



Panther/DCP Holdings, LLC
Panther/DCP Intermediate Holdings LLC "Intermediate HoldCo"
PRC, LLC "PRC"
PRC B2B, LLC "PRC B2B"
Access Direct Telemarketing, Inc. "ADT"
Precision Response of Pennsylvania, LLC
Avaltus, Inc. (Dissolution pending)
Precision Response of Louisiana, Inc. (Dissolution pending)

Diamond Castle Holdings LLC ("DCH"), a private equity firm, owns a majority of the equity interests in HoldCo. HoldCo, a holding company headquartered in New York, New York, owns all of the Preconfirmation Equity Interests in, and is the sole member of, Intermediate HoldCo. PRC and PRC B2B, LLC are headquartered in Plantation, Florida. Access Direct Telemarketing, Inc. is headquartered in Cedar Rapids, Iowa, and Precision Response of Pennsylvania, LLC is headquartered in West Mifflin, Pennsylvania. PRC's two non-debtor subsidiaries, Avaltus, Inc. and Precision Response of Louisiana, Inc., both have no assets or operations and are currently subject to dissolution proceedings in New Jersey and Louisiana, respectively.

C. BUSINESS BACKGROUND

1. Formation and Acquisition by IAC/InterActive Corp

The Debtors' primary operating companies consist of PRC, LLC ("PRC"), PRC B2B, LLC ("PRC B2B"), and Access Direct Telemarketing, Inc. ("ADT", and together with PRC and PRC B2B, the "Company").

PRC began operations on May 19, 1982, as Florida Fulfillment, Inc., a service business that fulfilled purchase orders for other businesses using toll-free telephone lines. Within a few years, Florida Fulfillment, Inc. expanded into database marketing and telecommunications marketing. In 1991, Florida Fulfillment, Inc. changed its name to Precision Response Corporation. On July 22, 1996, Precision Response Corporation completed an initial public offering of its common stock and operated as a publicly-held corporation until April 5, 2000, when it was acquired by USA Networks, Inc. (later renamed IAC/InterActive Corp. ("IAC")). IAC acquired Precision Response Corporation as part of a merger transaction. As a consequence of this merger, Precision Response Corporation (now, PRC, LLC) became privately held and a wholly-owned subsidiary of IAC. PRC is based in Plantation, Florida.

PRC B2B began as Hancock Information Group, Inc. ("Hancock"), which was founded in December 1984. In 2001, IAC acquired Hancock for $17 million and Hancock became a wholly-owned subsidiary of PRC. In 2005, Hancock became PRC B2B, LLC. PRC B2B is based in Orlando, Florida.

ADT was founded in 1995 and is based in Cedar Rapids, Iowa. In 2000, IAC acquired ADT and ADT became a wholly-owned subsidiary of PRC.

2. Sale of PRC by IAC

In early 2006, IAC initiated steps to sell PRC by means of a two-stage auction. During the first stage, in June 2006, Lehman Brothers, as financial advisors to IAC, sent a Confidential Information Memorandum (the "CIM") and a letter outlining initial bidding procedures to a number of parties, including DCH, who expressed interest in purchasing PRC. The initial bidding procedures provided that interested parties should make an indicative offer to purchase PRC based on the information contained within the CIM. In addition to an estimated bid price, the indicative offer was to include a proposed transaction structure and any due diligence requirements. If IAC accepted the indicative offer, the interested parties would enter into the second phase of bidding.

By letter dated August 9, 2006, IAC accepted DCH's indicative offer and provided DCH with the second phase bidding procedures by which DCH could submit a final offer to purchase PRC. During the second phase of bidding, DCH undertook full scale due diligence to conduct a more detailed review of PRC. Ultimately, IAC accepted DCH's final offer as the winning bid.

To effectuate the sale of PRC, Panther/DCP Acquisition, LLC ("AcquisitionCo"),[8] a DCH affiliate, entered into a certain Membership Interests Purchase Agreement, dated November 2, 2006 (the "Purchase Agreement"), with IAC, as seller, PRC, as the company, and AcquistionCo, as the buyer. In accordance with the Purchase Agreement, AcquisitionCo purchased all of IAC's outstanding membership interests in PRC in exchange for a payment of $267,637,102 at closing plus escrowed funds of $10 million for additional purchase price adjustments. AcquisitionCo also paid approximately $34 million for certain fees and expenses relating to the sale, PRC payroll expenses, and cash for working capital and future obligations. To fund these payments, AcquisitionCo incurred approximately $182 million in debt obligations, including senior secured debt. The financing associated with the acquisition of PRC is described in more detail in Section III.D below. Equity investors invested approximately $129 million in connection with the acquisition of PRC from IAC.

When the parties executed the Purchase Agreement, Intermediate HoldCo was the sole member and owner of AcquisitionCo. Immediately following AcquisitionCo's acquisition of PRC, on November 29, 2006, AcquisitionCo merged with and into PRC, with PRC being the surviving entity. As a consequence of this merger, AcquistionCo ceased to exist and Intermediate Holdco became the sole member and owner of PRC.

To facilitate the sale of the Company, IAC, PRC and AcquisitionCo also entered into a certain Transition Services Agreement, dated November 29, 2006. The Transition Services Agreement obligated IAC, among other things, to fund and maintain health insurance benefits for Company employees. The Company agreed to reimburse IAC through fixed monthly payments, subject to a true-up of actual costs after the end of the term of the Transition Services Agreement. The Transition Services Agreement expired by its terms as of December 31, 2007.

3. Business Operations

Since its inception, the Company has provided complex, consultative, outsourced services in the Customer Care and Sales & Marketing segments of the business process outsourcing industry. The Company has acquired and grown customer relationships for its clients, some of which are the world's largest and most brand-focused corporations in the financial services, media, telecommunications, transportation, and retail industries.

As of March 25, 2008, PRC had approximately 7,216 employees in Florida, Texas, Colorado, Oklahoma, North Carolina, and West Virginia. As of the same date, PRC B2B had approximately 473 employees in Florida, and ADT had approximately 911 employees in Iowa.

The Company's service offerings address many critical aspects of a client's business such as (i) targeting and segmentation of sales prospects; (ii) acquiring new customers; (iii) gaining incremental business with existing customers; (iv) cross-selling and up-selling; and (v) customer retention, billing inquiries, and technical support. Through a network of domestic contact centers, as well as significant offshore relationships with vendors located in the

---

[8] Prior to the acquisition of PRC, Intermediate HoldCo owned all of the equity interests in AcquisitionCo. As discussed above, HoldCo owns all of the Preconfirmation Equity Interests in Intermediate HoldCo, and DCH owns a majority of the equity interests in HoldCo.

Philippines, the Dominican Republic and India, the Company operates a large, scalable infrastructure that offers its clients a "best-shore" approach to outsourcing.

The Company's clients choose to outsource their business process functions in order to reduce the cost of customer interactions, to minimize capital expenditures, to maximize efficiency, to enhance the quality of service with access to the latest technology, and in many instances, to generate incremental revenue. The Company typically operates under multi-year agreements, which provide a base of recurring revenues and a foundation for organic growth as clients grow their own businesses and as the Company sells these clients additional services. A number of these contracts, however, contain provisions that allow the Company's clients to cancel such contracts for convenience upon 30 to 60-day's notice. Until recently, the Company had an excellent history of renewing contracts, with a historical renewal rate of over 90%.

The Company provides inbound and outbound services and back-office processing services through two divisions: Business-to-Consumer ("B2C") and Business-to-Business ("B2B"). The B2C division manages customer interactions on behalf of clients via a global network of integrated contact centers using telephone, e-mail, interactive voice response, and web-based applications. The B2B division helps clients design, implement, and manage sales strategies targeted at business customers. The B2B division also provides critical information to client sales teams, such as identifying new sales leads.

(a) B2C Division

The B2C division operates contact centers that manage customer interactions on behalf of Company clients. The Company provides its B2C clients with essential functions, such as customer service, which makes up the vast majority of the Company's B2C operations, inbound and outbound sales, and technical support. The Company also provides email-based customer service, automated business process outsourcing and interactive voice response services, as well as custom software applications, monitoring calls for compliance with client standards, and dynamic call queuing.

The Company frequently serves as the first point of contact and a critical link between clients and their customers. The B2C services provided by the Debtors replace a client's higher paid in-house workforce with the Debtors' trained customer care and sales and marketing specialists. Typically, the Debtors' solutions add value by providing significant operational cost savings of approximately 20% to 40% compared to a client's internal cost structure, and by allowing clients to focus on core competencies and key business objectives.

The Debtors estimate that the B2C division accounted for approximately 93% of revenues in 2007, and approximately 64% of EBITDA.

(b) B2B Division

The B2B division helps business clients design, implement, and manage sales strategies. The B2B consultative services improve the performance and effectiveness of their clients' internal sales forces – sometimes by as much as 30% to 50% – by generating highly probable and valuable sales leads. Sales leads are generated in three main ways:

- Appointment Setting & Prospecting. B2B sales consultants deliver a well-articulated sales and marketing message to the client's potential customers.

Once a sales consultant identifies a need for the client's services, the sales consultant will schedule the customer for an appointment with a client representative.

- Full Customer Acquisition. A sales consultant will complete the entire sale transaction on behalf of the client, without the need for a separate appointment, or will transfer the opportunity over the client's sales team.

- Account Development. For clients focused on maximizing long-term customer profitability, the B2B division provides an outreach program that systematically develops and nurtures existing customers while delivering the client's message at a predetermined frequency. This practice not only supports up-selling and cross-selling initiatives, it also serves as a communication strategy for providing customer education, changing customer behaviors, refining brand perception and increasing brand awareness, and improving and maintaining business intelligence.

By using proprietary analytic tools and processes, the B2B division helps clients reach key decision-makers, increase closing rates, shorten sales cycles, and enhance market penetration. The B2B division currently obtains higher margins and is less capital-intensive than the B2C division. Accordingly, the B2B division accounted for approximately 7% of the Company's revenues and 36% of EBITDA in 2007.

4. Employees and Labor Matters

As of March 12, 2008, the Debtors had approximately 9,000 employees, consisting of 7,882 hourly-wage employees and 1,142 salaried employees. Historically, the Debtors have enjoyed favorable relationships with their highly qualified personnel. None of the Debtors' employees is represented by a labor union.

5. Properties and Assets

The Debtors' primary asset is their highly trained and skilled workforce of client-service representatives. The Debtors' income principally is derived from the time these representatives spend servicing client accounts. The Debtors' other assets include their accounts receivable for services performed, their contract rights, and their intellectual property rights. Aside from one parcel of vacant land in Miami, Florida that the Debtors own, the Debtors lease office and contact center space in Florida, Iowa, Pennsylvania, Texas, Colorado, Oklahoma, West Virginia and North Carolina. The Debtors' headquarters are located in Plantation, Florida. In addition, although the Debtors have no foreign subsidiaries, they have significant contact center operations through contractual relationships with vendors located in the Philippines, India and the Dominican Republic.

6. Legal Proceedings and Claims

(a) Pending Matters

Hall Arbitration. On September 13, 2007, John G. Hall, former CEO of PRC, commenced an arbitration proceeding, styled as John G. Hall v. PRC, LLC, AAA Case No. 32 166 00734 07, with the American Arbitration Association (the "AAA"), against PRC, in which

Hall alleged that PRC breached the terms of its employment agreement with Hall by refusing to provide him with termination compensation following his alleged resignation from PRC for "good reason." PRC has denied that Hall resigned for good reason and asserted a counterclaim against Hall, alleging that Hall continues to be in possession of PRC's business records and other confidential information, in breach of the Confidentiality, Non-Competition and Intellectual Property Agreement between PRC and Hall. The Debtors believe that they have additional counterclaims against Hall to recover certain prepetition overpayments. On February 20, 2008, the AAA notified the parties that the arbitration was stayed by operation of section 362 of the Bankruptcy Code due to the commencement of the Reorganization Cases.

O'Brien Litigation. In 2003, Wesley O'Brien, a former CEO of PRC, commenced a lawsuit, styled as Wesley T. O'Brien v. Precision Response Corporation, Case No. 03-5643-21, in the Circuit Court of the Seventeenth Judicial District, Broward County, Florida, against PRC, in which O'Brien alleged claims for (i) indemnification with respect to $1.2 million in fees and expenses he incurred in connection with a 2002 arbitration related to PRC's acquisition of Avaltus, Inc. and (ii) wrongful termination. On October 20, 2005, the trial court dismissed O'Brien's claims for indemnification, leaving his claims for wrongful termination pending. On December 6, 2006, the appellate court reversed as to the claim for indemnification with respect to costs related to O'Brien's defense of the arbitration. In June 2007, the trial court entered an order on remand and referred the matter to the magistrate for further proceedings. In connection with the Purchase Agreement, IAC agreed to indemnify the Debtors against any losses incurred in the O'Brien litigation. The matter remains pending but was stayed by operation of section 362 of the Bankruptcy Code upon the commencement of the Reorganization Cases.

Employment Litigation. The Debtors are party to several employment-related disputes that, in most instances, are pending before the Equal Employment Opportunity Commission. No such proceeding is material to the Debtors' financial performance. These proceedings have been stayed by operation of section 362 of the Bankruptcy Code.

Other than litigation in connection with the chapter 11 proceedings, the Debtors are not aware of any pending disputes, including those disputes described above, that would be likely to have a material adverse effect on current financial conditions, results of operations, or liquidity. The Debtors may also have claims in connection with other business or employment-related disputes, including in connection with those disputes described above. However, litigation is subject to inherent uncertainties, and unfavorable outcomes could occur. An unfavorable outcome could include the payment of monetary damages, Cash or other settlement, or an injunction prohibiting the sale of some of the Debtors' services. If an unfavorable resolution were to occur, there exists the possibility of a material adverse impact on the Debtors' financial condition, results of operations, or cash flows for the period in which the resolution occurs or for future periods.

(b) Potential Claims Relating to Purchase Agreement

Certain parties, including the Creditors Committee, have inquired about the potential avoidability of transactions effectuated in connection with the Purchase Agreement with IAC. The Debtors, together with their advisors, have undertaken a preliminary analysis of these issues. Generally, a transfer (including the incurrence of an obligation) may be avoided as a "fraudulent transfer" where a debtor did not receive "reasonably equivalent value" in exchange for such transfer and the debtor was insolvent at the time the transfer was made. See 11 U.S.C. § 548. In evaluating solvency and reasonably equivalent value, courts may rely on a number of valuation methodologies. Recently, a number of courts have adopted a market value test. For example, in VFB LLC v. Campbell Soup Co., 482 F.3d 624 (3d Cir. 2007), the United States Court of Appeals for the Third Circuit used the price set by the stock market to evaluate solvency and reasonably equivalent value of a company sold in a reverse spin-off. In Statutory Committee of Unsecured Creditors v. Motorola, Inc. (In re Iridium Operating LLC), 373 B.R. 283 (Bankr. S.D.N.Y. 2007), the United States Bankruptcy Court for the Southern District of New York cited the VFB decision with approval and applied a similar market-price-solvency analysis in evaluating various debt offerings. In each case, however, solvency and reasonably equivalent value are fact-specific inquiries.

Here, the acquisition of PRC from IAC was consummated in connection with an auction following competitive bidding. That process resulted in a purchase price of approximately $270 million. Under applicable law, (a) the value of PRC is likely to be fixed conclusively at the purchase price and (b) market value is determinative of solvency. As such, PRC was likely solvent at the time of the IAC transaction and, accordingly, the Debtors do not believe a fraudulent transfer action could be successfully pursued. The Debtors and Reorganized Debtors reserve all rights to pursue such an action, however, in the event they, in their sole discretion, determine to do so.

Moreover, the Debtors and Reorganized Debtors intend to continue their investigation into the facts and circumstances surrounding the purchase and financing of PRC from IAC in order to ascertain whether other causes of action against IAC may exist, including claims for misrepresentation, fraud, breach of contract, and/or breach of the representations and warranties that were made in connection with the Purchase Agreement. The Plan contemplates that, to the extent such claims and causes of action against IAC exist, they may be pursued by the Debtors, the Reorganized Debtors, or an estate representative, as the case may be. Any estate representative would be appointed under section 1123(b)(3) of the Bankruptcy Code, following notice and a hearing. A party who serves as the estate representative and who provides consideration acceptable to the Debtors and the Prepetition Lenders, will receive a release under Section 11.9 of the Plan. Section VI.I.9 of this Disclosure Statement sets forth the terms of such releases in greater detail.

The Debtors may also have claims relating to an escrow account held by the Bank of New York, as escrow agent, that was established in connection with the Purchase Agreement. As noted above, AcquisitionCo initially placed $10 million into escrow. Of that amount, $5 million plus any accrued interest remains. These funds are available to satisfy any rights the Debtors may have to indemnification under various provisions of the Purchase Agreement, including provisions relating to tax liabilities and IAC's representations and warranties. On or before April 30, 2008, the Debtors notified the escrow agent of certain claims relating to the indemnification provisions of the Purchase Agreement.